Local Government Correctional Service Retirement Fund

Actuarial Valuation and Review
as of July 1, 2005

SEGAL

The Segal Company
6300 S. Syracuse Way, Suite 750 Englewood, CO 80111
T 303.714.9900 F 303.714.9990 www.segalco.com

November 29, 2005

Ms. Mary Most Vanek
Public Employees Retirement Association of Minnesota
Local Government Correctional Service Retirement Fund
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103-2088

Dear Ms. Most Vanek:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2006 and analyzes the preceding year's experience.

The census and financial information on which our calculations were based was prepared by the Public Employees' Retirement Association of Minnesota. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in the valuation are consistent with those in the statute, and reasonably represent the experience of the plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: ______________________________ ______________________________

Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

Susan M. Hogarth, EA, MAAA
Consulting Actuary

cc: *Legislative Commission on Pensions and Retirement (3 copies)*
Minnesota Legislative Reference Library (6 copies)
Minnesota Department of Finance (2 copies)

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Public Employees Retirement Association of Minnesota (Local Government Correctional Service Retirement Fund) as of July 1, 2005. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- Section 356.215 of the Minnesota Statutes;
- The benefit provisions of the Retirement Fund, as administered by the PERA;
- The data as provided and confirmed by the PERA staff;
- The characteristics of covered active members, inactive vested members, pensioners and beneficiaries as of July 1, 2005, provided by the Fund;
- The assets of the Fund as of June 30, 2005, provided by the Fund;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The statutory contribution rate under Chapter 353E is equal to 14.58% of payroll compared to the required contribution rate under Chapter 356 of 13.05% of payroll. Therefore, statutory contributions are sufficient to meet the required contribution rate.
- The actuarial accrued liability funded ratio based on the actuarial value of assets over the actuarial accrued liability as of July 1, 2005 is 90.11% compared to 88.12% as of July 1, 2004. This ratio is a measure of funding status, and its history is a measure of funding progress, and is the ratio required to be reported under GASB 25.
- As indicated on page 4 of this report, the total unrecognized investment gain as of June 30, 2005 is $2,718,903. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment losses derived from future experience.
- The results for the July 1, 2004 actuarial valuation shown in this report reflect a revision to the actuarial value of assets under the split of Benefits between the MPRIF Reserve and Non-MPRIF Assets.
- There were no changes in plan provisions, actuarial assumptions or actuarial cost methods since the prior valuation.

Summary of Key Valuation Results

	2005	2004
Contributions (% of payroll) for plan year beginning July 1:		
Statutory – Chapter 353E	14.58%	14.58%
Required – Chapter 356	13.05%	13.02%
Sufficiency/(Deficiency)	1.53%	1.56%
Funding elements for plan year beginning July 1:		
Normal cost	$15,908,607	$14,834,390
Market value of assets	100,874,878	75,736,764
Actuarial value of assets (AVA)	98,155,975	75,515,145
Actuarial accrued liability (AAL)	108,926,147	85,693,412
Unfunded/(Overfunded) actuarial accrued liability	10,770,172	10,178,267
Funded ratios:		
Accrued Benefit Funded Ratio	99.88%	97.88%
Current assets (AVA)	$98,155,975	$75,515,145
Current benefit obligations	98,278,594	77,151,845
Projected Benefit Funded Ratio	111.79%	113.40%
Current and expected future assets	$267,531,642	$236,783,055
Current and expected future benefit obligations (Present Value of Benefits)	239,306,986	208,811,517
GASB 25/27 for plan year beginning July 1:		
Annual employer required contributions	$8,068,439	$8,836,786
Accrued Liability Funded Ratio (AVA/AAL)	90.11%	88.12%
Covered Actual Payroll	$116,848,904	$109,600,235
Demographic data for plan year beginning July 1:		
Number of pensioners and beneficiaries	180	139
Number of vested terminated members	915	758
Number of other non-vested terminated members	906	911
Number of active members	3,352	3,251
Total projected payroll*	$129,231,426	$120,511,319
Average projected payroll*	38,554	37,069

** Calculated as covered actual payroll, projected one year with salary scale.*

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, pensioners and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, C, D, E and F.

A historical perspective of how the member population has changed over the past four valuations can be seen in this chart.

CHART 1

Member Population: 2002 – 2005

Year Ended June 30	Active Members	Vested Terminated Members*	Pensioners and Beneficiaries	Ratio of Non-Actives to Actives
2002	3,270	282	63	0.11
2003	3,155	590	100	0.22
2004	3,251	758	139	0.28
2005	3,352	915	180	0.33

* *Excludes terminated members due a refund of employee contributions.*

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 3,352 active members with an average age of 38.8, average years of service of 3.9 years and average projected payroll of $38,554. The 3,251 active members in the prior valuation had an average age of 38.6, average service of 3.4 years and average projected payroll of $37,069.

Inactive Members

In this year's valuation, there were 915 members with a vested right to a deferred or immediate vested benefit.

In addition there were 906 other non-vested terminated members entitled to a return of their employee contributions.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2005

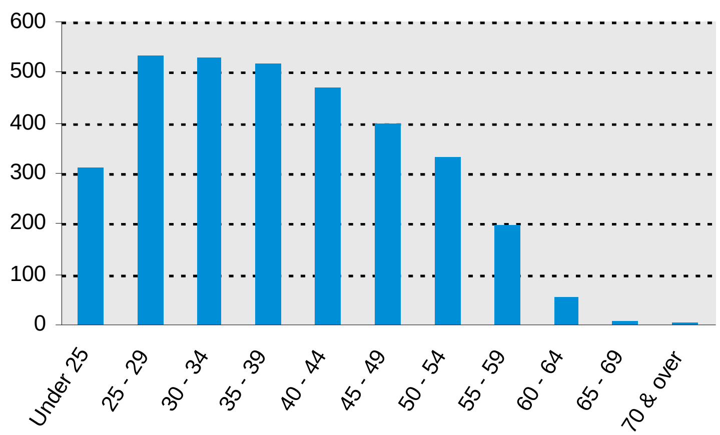
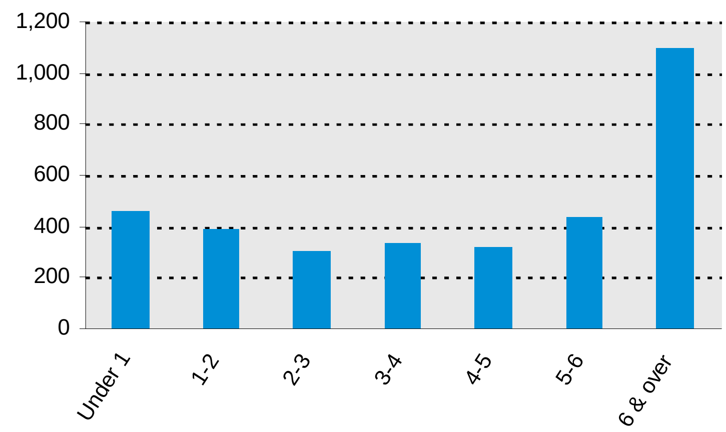


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2005



Pensioners and Beneficiaries
As of June 30, 2005, 172 pensioners (113 retired and 59 disableds) and 8 beneficiaries were receiving monthly benefits of $93,927. For comparison, in the previous valuation, there were 131 pensioners (81 retired and 50 disableds) and 8 beneficiaries receiving monthly benefits of $74,143.

These graphs show a distribution of the current pensioners and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Pensioners and Beneficiaries by Type and by Monthly Amount as of June 30, 2005

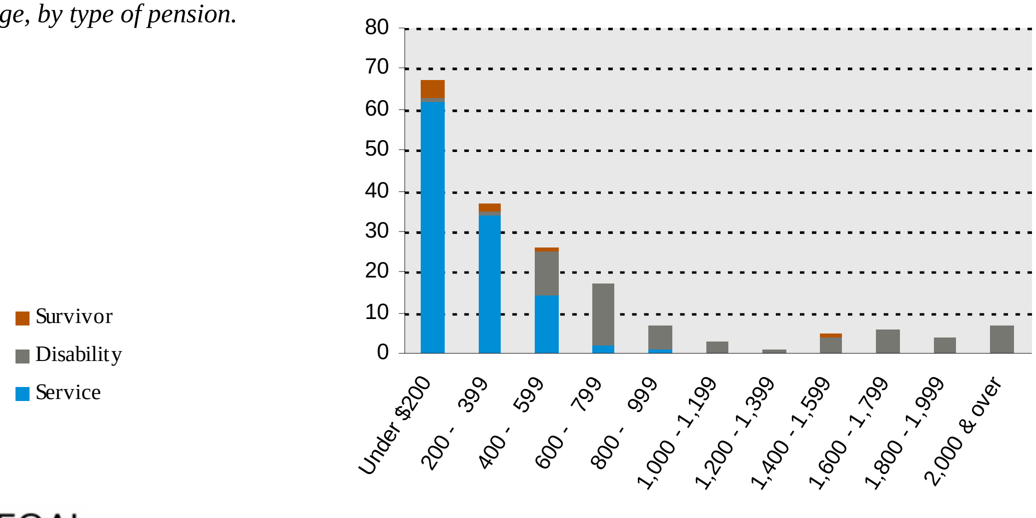
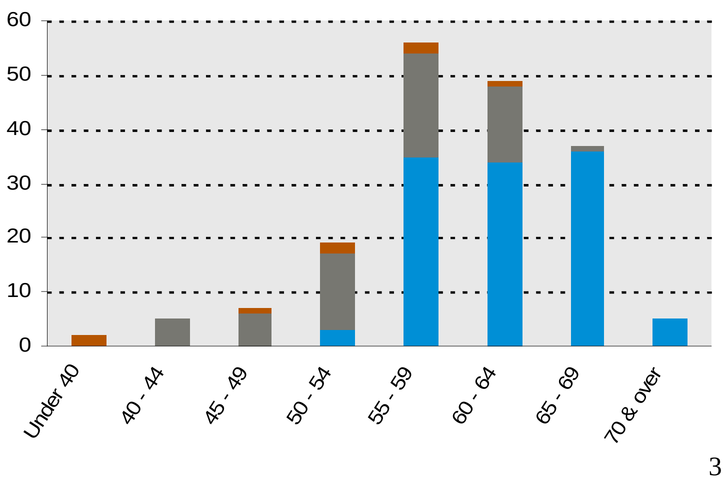


CHART 5

Distribution of Pensioners and Beneficiaries by Type and by Age as of June 30, 2005



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B. FINANCIAL INFORMATION

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Minnesota Statutes require an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Both the actuarial value and market value of assets are representations of the Fund's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Fund's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 6

Determination of Actuarial Value of Assets for Year Ended June 30, 2005

1.	Market value of assets available for benefits				$100,874,878
			Original Amount	% Not Recognized	
2.	Calculation of unrecognized return				
	(a)	Year ended June 30, 2005	$1,967,298	80%	$1,573,838
	(b)	Year ended June 30, 2004	5,905,774	60%	3,543,465
	(c)	Year ended June 30, 2003	-3,608,000	40%	-1,443,200
	(d)	Year ended June 30, 2002	-4,776,000	20%	-955,200
	(e)	Total unrecognized return			$2,718,903
3.	Actuarial value of assets ("Current Assets"): (1) – (2e)				$98,155,975

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

For the plan year ended June 30, 2005, the total loss is $2,403,166, including a loss of $404,733 from investments and a loss of $1,998,433 from all other sources. The net experience variation from individual sources other than investments was 1.83% of the total actuarial accrued liability, which includes age/service requirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.

This chart provides a summary of the actuarial experience during the past year.

CHART 7

Actuarial Experience for Year Ended June 30, 2005

1.	Net gain/(loss) from investments	-$404,733
2.	Net gain/(loss) from other experience	-1,998,433
3.	Net experience gain/(loss): (1) + (2)	-$2,403,166

D. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Section 4, Exhibit III presents a schedule of this information of the Fund.

The other critical piece of information regarding the Fund's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

GASB requires that the actuarial value of assets be used to determine the funded ratio, as shown in Section 4, Exhibit IV.

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2005	Year Ended June 30 2004	Change From Prior Year
Active members in valuation:			
Number	3,352	3,251	3.1%
Average age	38.8	38.6	N/A
Average service	3.9	3.4	N/A
Total projected payroll	$129,231,426	$120,511,319	7.2%
Average projected payroll	38,554	37,069	4.0%
Total active vested members	2,193	2,042	7.4%
Vested terminated members	915	758	20.7%
Retired participants:			
Number in pay status	113	81	39.5%
Average age	62.7	62.6	N/A
Average monthly benefit	$214	$163	31.3%
Disabled members:			
Number in pay status	59	50	18.0%
Average age	55.1	54.7	N/A
Average monthly benefit	$1,134	$1,167	-2.8%
Beneficiaries:			
Number in pay status	8	8	0.0%
Average age	45.4	44.4	N/A
Average monthly benefit	$349	$336	3.9%
Other non-vested terminated members	906	911	-0.5%

EXHIBIT B

Members in Active Service as of June 30, 2005
By Age, Years of Service, and Average Projected Payroll

		Years of Service						
Age	**Total**	**Under 5**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & Over**
Under 25	312	311	1	- -	- -	- -	- -	- -
	$21,982	$21,882	$52,854	- -	- -	- -	- -	- -
25 - 29	532	449	83	- -	- -	- -	- -	- -
	31,985	30,428	40,406	- -	- -	- -	- -	- -
30 - 34	529	307	222	- -	- -	- -	- -	- -
	37,737	32,209	45,380	- -	- -	- -	- -	- -
35 - 39	517	260	257	- -	- -	- -	- -	- -
	40,913	33,520	48,392	- -	- -	- -	- -	- -
40 - 44	468	192	276	- -	- -	- -	- -	- -
	43,020	33,198	49,852	- -	- -	- -	- -	- -
45 - 49	399	155	244	- -	- -	- -	- -	- -
	44,279	35,365	49,942	- -	- -	- -	- -	- -
50 - 54	330	87	243	- -	- -	- -	- -	- -
	44,658	31,805	49,260	- -	- -	- -	- -	- -
55 - 59	197	45	152	- -	- -	- -	- -	- -
	44,025	30,443	48,046	- -	- -	- -	- -	- -
60 - 64	57	9	48	- -	- -	- -	- -	- -
	44,698	28,987	47,644	- -	- -	- -	- -	- -
65 - 69	9	- -	9	- -	- -	- -	- -	- -
	48,981	- -	48,981	- -	- -	- -	- -	- -
70 & Over	2	1	1					
	21,620	14,651	28,589					
Total	3,352	1,816	1,536	- -	- -	- -	- -	- -
	$38,554	$30,473	$48,107	- -	- -	- -	- -	- -

EXHIBIT C
Retired Participants as of June 30, 2005
By Age, Years Retired and Average Annual Benefit

		Years Retired							
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 45	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	3	3	- -	- -	- -	- -	- -	- -	- -
	$2,426	$2,426	- -	- -	- -	- -	- -	- -	- -
55 - 59	35	35	- -	- -	- -	- -	- -	- -	- -
	3,601	3,601	- -	- -	- -	- -	- -	- -	- -
60 - 64	34	31	3	- -	- -	- -	- -	- -	- -
	2,496	2,696	$422	- -	- -	- -	- -	- -	- -
65 - 69	36	25	11	- -	- -	- -	- -	- -	- -
	1,899	2,507	516	- -	- -	- -	- -	- -	- -
70 - 74	5	4	1	- -	- -	- -	- -	- -	- -
	791	975	53	- -	- -	- -	- -	- -	- -
75 - 79	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
80 - 84	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
85 - 89	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
90 & Over	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	113	98	15	- -	- -	- -	- -	- -	- -
	$2,571	$2,893	$466	- -	- -	- -	- -	- -	- -

EXHIBIT D
Disabled Members as of June 30, 2005
By Age, Years Disabled and Average Annual Benefit

		Years Disabled								
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 45	5	3	2	- -	- -	- -	- -	- -	- -
	$15,921	$15,594	$16,412	- -	- -	- -	- -	- -	- -
45 - 49	6	6	- -	- -	- -	- -	- -	- -	- -
	20,384	20,384	- -	- -	- -	- -	- -	- -	- -
50 - 54	14	13	1	- -	- -	- -	- -	- -	- -
	11,898	11,030	23,175	- -	- -	- -	- -	- -	- -
55 - 59	19	19	- -	- -	- -	- -	- -	- -	- -
	14,537	14,537	- -	- -	- -	- -	- -	- -	- -
60 - 64	14	12	2	- -	- -	- -	- -	- -	- -
	10,509	10,741	9,115	- -	- -	- -	- -	- -	- -
65 - 69	1	1	- -	- -	- -	- -	- -	- -	- -
	11,346	11,346	- -	- -	- -	- -	- -	- -	- -
70 - 74	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
75 - 79	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
80 - 84	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
85 - 89	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
90 & Over	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	59	54	5	- -	- -	- -	- -	- -	- -
	$13,613	$13,498	$14,846	- -	- -	- -	- -	- -	- -

EXHIBIT E
Beneficiaries as of June 30, 2005
By Age, Years Since Death and Average Annual Benefit

		Years Since Death							
Age	Total	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 45	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	1	1	- -	- -	- -	- -	- -	- -	- -
	$849	$849	- -	- -	- -	- -	- -	- -	- -
50 - 54	2	2	- -	- -	- -	- -	- -	- -	- -
	2,964	2,964	- -	- -	- -	- -	- -	- -	- -
55 - 59	2	2	- -	- -	- -	- -	- -	- -	- -
	12,246	12,246	- -	- -	- -	- -	- -	- -	- -
60 - 64	1	1	- -	- -	- -	- -	- -	- -	- -
	1,041	1,041	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 - 74	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
75 - 79	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
80 - 84	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
85 - 89	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
90 & Over	2	2	- -	- -	- -	- -	- -	- -	- -
	599	599	- -	- -	- -	- -	- -	- -	- -
Total	8	8	- -	- -	- -	- -	- -	- -	- -
	$4,188	$4,188	- -	- -	- -	- -	- -	- -	- -

EXHIBIT F

Reconciliation of Member Data

	Active Members	Vested Terminated Members	Other Non-Vested Terminated Members	Disableds	Retired Participants	Beneficiaries	Total
A. Number as of July 1, 2004	3,251	758	911	50	81	8	5,059
B. Data Adjustments	-2	36	-164	-	-	-	-130
C. Additions	517	152	219	11	32	-	931
D. Deletions:							
1. Terminated – Nonvested	-232	-5	-	-	-	-	-237
2. Terminated – Vested	-146	-	-	-	-	-	-146
3. Retirements	-24	-6	-	-2	-	-	-32
4. Disability	-10	-	-	-	-	-	-10
5. Died with Beneficiary	-	-	-	-	-	-	-
6. Died without Beneficiary	-2	-2	-	-	-	-	-4
7. Return to Active	-	-18	-10	-	-	-	-28
8. Other	-	-	-50	-	-	-	-50
E. Number as of June 30, 2005	3,352	915	906	59	113	8	5,353

EXHIBIT G

Summary Statement of Income and Expenses on a Market Value Basis for Year Ended June 30, 2005

	Non-MPRIF Assets	MPRIF Reserve	Market Value
A. Assets available at beginning of period	$73,630,693	$2,106,071	$75,736,764
B. Operating revenues:			
1. Member contributions	$7,192,028	-	$7,192,028
2. Employer contributions	10,814,425	-	10,814,425
3. MPRIF income	-	$200,017	200,017
4. Net investment income			
(a) Interest and dividends	$2,487,552	-	$2,487,552
(b) Net appreciation/(depreciation)	6,439,728	-	6,439,728
(c) Securities lending income	33,376	-	33,376
(d) Investment expenses	-120,128	-	-120,128
(e) Net subtotal	$8,840,528	-	$8,840,528
5. Other	8,409	-	8,409
6. Total additions	$26,855,390	$200,017	$27,055,407
C. Operating expenses:			
1. Benefits	$781,560	$259,321	$1,040,881
2. Refunds	691,101	-	691,101
3. Administrative expenses	175,961	-	175,961
4. Other	9,350	-	9,350
5. Total operating expenses	$1,657,972	$259,321	$1,917,293
D. Other changes in reserves:			
1. Annuities awarded	-$1,688,959	$1,688,959	-
2. Mortality gain/(loss)	116,162	-116,162	-
3. Change in MPRIF assumptions	-	-	-
4. Total other changes	-$1,572,797	$1,572,797	-
E. Assets available at end of period	$97,255,314	$3,619,564	$100,874,878

F. Determination of current year unrecognized asset return (UAR)	
1. Average balance:	
(a) Non-MPRIF Assets available at BOY: (A)	$73,630,693
(b) Non-MPRIF Assets available at EOY*: (E) – (D.2)	97,139,152
(c) Average balance: [(F.1(a)) + (F.1(b)) – (B.4(e)) – (B.5)]/2	80,960,454
2. Expected return: 8.50% x (F.1(c))	6,881,639
3. Actual return: (B.4(e)) + (B.5)	8,848,937
4. Current year UAR: (F.3) – (F.2)	$1,967,298

** Before adjustment for MPRIF Mortality Gain / Loss.*

EXHIBIT H

Table of Financial Information for Year Ended June 30, 2005

	Market Value	Cost Value
Assets in trust		
Cash, equivalents, short-term securities	$2,538,043	$2,538,043
Fixed income	22,497,218	22,748,003
Equity	62,769,614	57,750,760
Equity in MPRIF	3,619,564	3,619,564
Invested securities lending collateral	11,911,501	11,911,501
SBI alternative	9,217,358	8,697,188
Total assets in trust	$112,553,298	$107,265,059
Assets receivable	$438,923	$438,923
Total assets	$112,992,221	$107,703,982
Amounts currently payable		
Securities lending collateral	-$11,911,501	-$11,911,501
Other	-205,842	-205,842
Total amounts currently payable	-$12,117,343	-$12,117,343
Assets available for benefits		
MPRIF reserves	$3,619,564	$3,619,564
Member reserves	28,634,812	28,634,812
Other non-MPRIF reserves	68,620,502	63,332,263
Total assets available for benefits	$100,874,878	$95,586,639
Net Assets at Market/Cost Value	$100,874,878	$95,586,639

EXHIBIT I

Development of the Fund Through June 30, 2005

Year Ended June 30	Employer Contributions	Member Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2002	$8,830,000	$5,882,000	$1,126,000	$137,000	$610,000	$40,105,000
2003	9,645,000	6,430,000	1,424,000	149,000	968,000	56,487,000
2004	10,029,408	6,671,647	3,881,483	161,861	1,392,532	75,515,145
2005	10,814,425	7,192,028	6,542,230	175,961	1,731,982	98,155,975

** Net Investment Return on an Actuarial Value of Assets basis and net of investment fees.*

EXHIBIT J

Development of Unfunded/(Overfunded) Actuarial Accrued Liability for Year Ended June 30, 2005

1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year		$10,178,267
2. Normal cost at beginning of year		14,834,390
3. Total contributions		18,006,453
4. Interest		1,360,802
5. Expected unfunded/(overfunded) actuarial accrued liability (1) + (2) – (3) + (4)		$8,367,006
6. Changes due to (gain)/loss from:		
(a) Investments	$404,733	
(b) MPRIF Mortality	-116,162	
(c) Other demographics*	2,114,595	
(d) Total changes due to (gain)/loss		$2,403,166
7. Unfunded/(Overfunded) actuarial accrued liability at end of year		$10,770,172

** Includes (gain)/loss due to age/service retirements, disability, mortality (pre and post-retirement), withdrawal and salary increases.*

EXHIBIT K

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Fund is calculated including:

(a) Investment return — the rate of investment yield that the Fund will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Fund exceeds the assets of the Fund. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability: Payments made over a period of years equal in value to the Fund's unfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Fund from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

Accrued Benefit Funded Ratio: A current year funded status that measures the percent of benefits covered by Current Assets. This ratio is based on benefits earned to the valuation date (accrued service) and includes future salary increases to retirement. The liability for these benefits is defined as the Current Benefit Obligations. The Accrued Benefit Funded Ratio is calculated as the Actuarial Value of Assets (Current Assets) divided by the Current Benefit Obligations.

Projected Benefit Funded Ratio: A projected funded status that measures contribution sufficiency/deficiency, which is based on a present value of all plan benefits for the lifetime of all plan members. The liability for these benefits is defined as the Current and Expected Future Benefit Obligations, or Present Value of Benefits. The Current and Expected Future Assets are determined as the sum of the Actuarial Value of Assets (Current Assets), the Present Value of Expected Future Statutory Supplemental Contributions and the Present Value of Future Normal Costs. The Projected Benefit Funded Ratio is calculated as the Current and Expected Future Assets divided by the Current and Expected Future Benefit Obligations. If the ratio is equal to or more than 100%, there is a contribution sufficiency, and if it is less than 100% there is a contribution deficiency.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Pensioners as of the valuation date (including 8 beneficiaries in pay status)		180
2.	Members inactive during year ended June 30, 2005 with vested rights		915
3.	Members active during the year ended June 30, 2005		3,352
	Fully vested	2,193	
	Not vested	1,159	
4.	Other non-vested terminated members as of June 30, 2005		906

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

			Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
A.	Determination of Actuarial Accrued Liability				
1.	Active members:				
	(a)	Retirement benefits	$150,232,160	$84,998,610	$65,233,550
	(b)	Disability benefits	23,694,554	15,696,734	7,997,820
	(c)	Death benefits	6,648,372	4,112,755	2,535,617
	(d)	Withdrawal benefits	35,590,904	25,572,740	10,018,164
	(e)	Total	$216,165,990	$130,380,839	$85,785,151
2.	Vested terminated members		$9,126,306	-	$9,126,306
3.	Other non-vested terminated members		935,329	-	935,329
4.	Annuitants in MPRIF		3,619,564	-	3,619,564
5.	Annuitants not in MPRIF		9,459,797	-	9,459,797
6.	Total		$239,306,986	$130,380,839	$108,926,147
B.	Determination of Unfunded Actuarial Accrued Liability				
1.	Actuarial Accrued Liability				$108,926,147
2.	Actuarial Value of Assets				98,155,975
3.	Unfunded Actuarial Accrued Liability: (B.1) – (B.2)				$10,770,172
C.	Determination of Supplemental Contribution Rate				
1.	Present value of future payrolls through amortization date of July 1, 2023				$1,839,378,659
2.	Supplemental contribution rate: (B.3) / (C.1)				0.59%
D.	Determination of GASB Amortization Rate				
1.	Present value of future payrolls through amortization date of July 1, 2023				$1,709,129,232
2.	Supplemental contribution rate: (B.3) / (D.1)				0.63%

EXHIBIT II

Actuarial Balance Sheet

A. Current Assets				$98,155,975
B. Expected Future Assets				
1. Present Value of Expected Future Statutory Supplemental Contributions				$38,994,828
2. Present Value of Future Normal Costs				130,380,839
3. Total Expected Future Assets				$169,375,667
C. Total Current and Expected Future Assets				$267,531,642
D. Current Benefit Obligations		**Non-Vested**	**Vested**	**Total**
1. Benefit recipients:				
(a) Retirement annuities		-	$3,252,545	$3,252,545
(b) Disability benefits		-	9,459,797	9,459,797
(c) Beneficiaries		-	367,019	367,019
2. Vested terminated members		-	9,126,306	9,126,306
3. Other non-vested terminated members		-	935,329	935,329
4. Active members		$4,367,134	70,770,464	75,137,598
5. Total Current Benefit Obligations		$4,367,134	$93,911,460	$98,278,594
E. Expected Future Benefit Obligations				141,028,392
F. Total Current and Expected Future Benefit Obligations - Present Value of Benefits: (D.5 + E)				$239,306,986
G. Current Unfunded Actuarial Liability (D.5 - A)				$122,619
H. Current and Future Unfunded Actuarial Liability (F - C)				-$28,224,656

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Actuarially Required Contribution Rate[2] (a)	Actual Covered Payroll (b)	Actual Member Contributions (c)	Annual Required Employer Contributions [(a) x (b)] – (c) = (d)	Actual Employer Contributions[1] (e)	Percentage Contributed (e) / (d)
2000	15.03%	$70,690,000	$4,382,000	$6,243,000	$6,487,000	103.91%
2001	14.36% [3]	91,025,000	5,308,000	7,763,000	8,054,000	103.75%
2002	14.21%	101,309,000	5,882,000	8,514,000	8,830,000	103.71%
2003	14.10% [4]	110,296,000	6,430,000	9,122,000	9,645,000	105.74%
2004	14.15%	109,600,235	6,671,647	8,836,786	10,029,408	113.50%
2005	13.06%	116,848,904	7,192,028	8,068,439	10,814,425	134.03%
2006	13.09%					

(1) Includes contributions from other sources (if applicable).

(2) Actuarially Required Contribution Rate calculated according to parameters of GASB 25 with no assumption for growth of covered population.

(3) Actuarially Required Contribution Rate prior to change in Asset Valuation Method is 14.38%.

(4) Actuarially Required Contribution Rate prior to change in Actuarial Assumptions is 14.08%.

EXHIBIT IV

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Actual Covered Payroll (Previous FY) (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
07/01/2000	$11,116,000	$10,195,000	-$921,000	109.03%	$70,690,000	-1.30%
07/01/2001	25,014,000	25,453,000	439,000	98.28%	91,025,000	0.48%
07/01/2002	40,105,000	42,144,000	2,039,000	95.16%	101,309,000	2.01%
07/01/2003	56,487,000	62,542,000	6,055,000	90.32%	110,296,000	5.49%
07/01/2004	75,515,145	85,693,412	10,178,267	88.12%	109,600,235	9.29%
07/01/2005	98,155,975	108,926,147	10,770,172	90.11%	116,848,904	9.22%

EXHIBIT V
Determination of Contribution Sufficiency

		July 1, 2005	
A.	**Statutory Contributions – Chapter 353E**	**Percent of Payroll**	**Dollar Amount**
1.	Member Contributions	5.83%	$7,534,192
2.	Employer Contributions	8.75%	11,307,750
3.	Total	14.58%	$18,841,942
B.	**Required Contributions – Chapter 356**		
1.	Normal Cost:		
	(a) Retirement benefits	8.29%	$10,719,121
	(b) Disability benefits	1.53%	1,970,794
	(c) Death	0.36%	468,394
	(d) Withdrawal benefits	2.13%	2,750,298
	(e) Total	12.31%	$15,908,607
2.	Amortization of Supplemental Contribution UAAL	0.59%	762,465
3.	Allowance for Administrative Expenses	0.15%	193,847
4.	Total	13.05%	$16,864,919
C.	**Contribution Sufficiency (Deficiency) (A.3 – B.4)**	1.53%	$1,977,023
	Projected annual payroll* for fiscal year beginning on the valuation date		$129,231,426

**Calculated as covered actual payroll, projected one year with salary scale.*

EXHIBIT VI
Supplementary Information Required by the GASB

Valuation date	July 1, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, assuming payroll increases at 5.00% per annum
Remaining amortization period	18 years remaining as of July 1, 2005
Asset valuation method	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during that fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year).
Actuarial assumptions:	
Investment rate of return:	
Pre-retirement	8.50% per annum
Post-retirement	8.50% per annum (payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumption)
Plan membership:	
Pensioners and beneficiaries receiving benefits	180
Terminated vested members entitled to, but not yet receiving benefits	915
Other non-vested terminated members	906
Active members	3,352
Total	5,353

EXHIBIT VII

Actuarial Assumptions and Actuarial Cost Method

Net Investment Return:		
Pre-Retirement:	8.50% per annum.	
Post-Retirement:	8.50% per annum.	
Benefit Increases After Retirement:	Payment of earnings on retired reserves in excess of 6.00% accounted for by 6.00% post-retirement assumptions.	
Salary Increases:	Reported salary at valuation date increased according to the rate table below to current fiscal year and annually for each future year. Prior fiscal year salary is annualized for new members.	
Mortality Rates:		
Healthy Pre-Retirement:	Male:	1983 Group Annuity Mortality Table for males set back one year.
	Female:	1983 Group Annuity Mortality Table for females.
Healthy Post-Retirement:	Male:	1983 Group Annuity Mortality Table for males set forward two years.
	Female:	1983 Group Annuity Mortality Table for females set forward two years.
Disabled:	Male:	Combined Annuity Mortality Table.
	Female:	Combined Annuity Mortality Table.

Retirement Rates:	Age-related table as follows:

Ages:		
	50-53	2.00%
	54	5.00
	55	25.00
	56-59	10.00
	60-61	20.00
	62-64	40.00
	65-69	50.00
	70 & Over	100.00

Withdrawal Rates:	Graded rates based on actual experience developed by the June 30, 1997 experience analysis for the Correctional Employees Retirement Fund. Rates are shown in rate table.
Disability:	Rates as shown in the rate table.
Allowance for Combined Service Annuity:	Liabilities for active members are increased by 0.00% and liabilities for former members are increased by 30.00% to account for the effect of some participants having eligibility for a Combined Service Annuity.
Administrative Expenses:	Prior year administration expenses expressed as percentage of prior year projected payroll.
Return of Contributions:	All employees withdrawing after becoming eligible for a deferred benefit take the larger of their contributions accumulated with interest or the value of their deferred benefit.
Percent Married:	85% of members are assumed to be married.
Age of Spouse:	Females are assumed to be three years younger than males.

Social Security:	Based on the present law and 6.00% retroactive salary scale. Only earnings history while in state service is used. Future Social Security benefits replace the same proportion of salary as at present.
Special Consideration:	Married members assumed to elect subsidized joint and survivor form of annuity as follows: Males: 25.00% elect 50% J&S option 25.00% elect 100% J&S option Females: 5.00% elect 50% J&S option 5.00% elect 100% J&S option
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are expressed as a level percentage of payroll, with Normal Cost determined as if the current benefit accrual rate had always been in effect.
Asset Valuation Method:	Market Value, adjusted for amortization obligations receivable at the end of each fiscal year, less a percentage of the Unrecognized Asset Return determined at the close of each of the four preceding fiscal years. Unrecognized Asset Return is the difference between actual net return on Market Value of Assets and the asset return expected during the fiscal year (based on the assumed interest rate employed in the July 1 Actuarial Valuation of the fiscal year). Transition rules apply between July 1, 2001 and July 1, 2003, when the method is fully in effect.
Payment on the Unfunded Actuarial Accrued Liability:	A level percentage of payroll each year to the statutory amortization date assuming payroll increases of 6.00% per annum.
Accrued Liability:	If there is a negative Unfunded Actuarial Accrued Liability, the surplus amount shall be amortized over 30 years as a level percentage of payroll.

Summary of Rates: Shown below for selected ages:

	Rate (%)					
	Death		Withdrawal			
Age	Male	Female	Male	Female	Disability	Salary Increases
20	0.04%	0.02%	24.00%	16.00%	0.04%	7.25%
25	0.04	0.03	14.70	14.20	0.06	7.00
30	0.06	0.03	9.10	13.50	0.08	7.00
35	0.08	0.05	6.00	12.90	0.11	7.00
40	0.11	0.07	4.40	10.40	0.18	6.50
45	0.19	0.10	3.40	6.40	0.29	5.75
50	0.35	0.16	2.40	4.70	0.50	5.50
55	0.57	0.25	1.40	3.30	0.88	5.25
60	0.84	0.42	0.00	0.00	1.41	5.25
65	1.29	0.71	0.00	0.00	0.00	5.25
70	2.48	1.24	0.00	0.00	0.00	5.25

Changes in Actuarial Assumptions and Actuarial Cost Methods: There have been no changes in the actuarial assumptions or actuarial cost methods since the prior valuation.

EXHIBIT VIII
Summary of Plan Provisions

This summary of provisions reflects the interpretation of applicable Statues for purposes of preparing this valuation. This interpretation is not intended to create or rescind any benefit rights in conflict with any Minnesota Statutes.

Plan Year:	Effective July 1, 1999
Eligibility:	Local government employees in covered correctional service for a county-administered jail or correctional facility or in a regional correctional facility administered by multiple counties, spends at least 95% of working time in direct contact with persons confined in the jail or facility, and is not a member of the Public Employees Police and Fire Fund.
Contributions:	
	Member: 5.83% of salary.
	Employer: 8.75% of salary.
Allowable Service:	Local Government Correctional Service during which member contributions were made. May also include certain leaves of absence, military service and periods while temporary Worker's Compensation is paid.
Salary:	Includes wages, allowances and fees. Excludes lump sum payments at a separation and reduced salary while receiving Worker's Compensation benefits.
Average Salary:	Average of the five highest successive years of salary. Average Salary is based on all Allowable Service if less than five years.

Retirement:	
<u>*Normal Retirement Benefit*</u>:	
Age/Service Requirement:	Age 55 and three years of Allowable Service. Proportionate Retirement Annuity is available at age 65 and one year of Allowable Service.
Amount:	1.9% of Average Salary for each year of Allowable Service, pro rata for completed months.
<u>*Early Retirement Benefit*</u>:	
Age/Service Requirement:	Age 50 and three years of Allowable Service.
Amount:	Normal Retirement Benefit based on Allowable Service and Average Salary at retirement date to the actuarial equivalent of the benefit that would be payable if the member deferred the benefit until age 55.
Form of Payment:	Life annuity. Actuarially equivalent options are: 25%, 50%, 75%, or 100% joint and survivor with bounce back feature without additional reduction.
Benefit Increases:	Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one full month but less than 12 full months will receive a partial increase.
Disability	
<u>*Occupational Benefit*</u>:	
Age/Service Requirement:	Member who cannot perform duties as a direct result of a disability related to an act of duty.
Amount:	47.50% of Average Salary plus 1.90% of Average Salary for each year in excess of 25 years of Allowable Service (pro rata for completed months). Payment begins at disability and stops at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon re-employment but salary plus benefit cannot exceed current salary of position held at time of disability.

Non-Occupational Disability:

Age/Service Requirement:	At least one year of Allowable Service and disability not related to covered employment.
Amount:	Normal Retirement Benefit based on Allowable Service (minimum of 10 years) and Average Salary at disability. Payment begins at disability and stops at age 65 or earlier if disability ceases or death occurs. Benefits may be paid upon re-employment but salary plus benefit cannot exceed current salary of position held at time of disability.
Form of Payment:	Same as for retirement.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.

Retirement Benefits:

Age/Service Requirement:	Age 65 with continued disability.
Amount:	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 65 or the normal retirement benefit available at age 65, or an actuarially equivalent optional annuity.
Form of Payment:	Same as for retirement.
Benefit Increases:	Same as for retirement.

Death:

Surviving Spouse Benefit:

Age/Service Requirement:	Member at any age or former member age 50 or older who dies before retirement or disability benefits commence with three years of Allowable Service. If an active member dies, benefits may commence immediately, regardless of age.
Amount:	Surviving spouse receives the 100% joint and survivor benefit using the Normal Retirement formula above. If commencement is prior to age 50, the appropriate early retirement formula described above applies except that one-half the monthly reduction factor is used from age 50 to the commencement age. In lieu of this benefit, the surviving spouse may elect a refund of contributions with interest or an actuarially

	equivalent term certain annuity (lump sum payable to estate at death).
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.
Surviving Dependent Children's Benefit:	
Age/Service Requirement:	If no surviving spouse, all dependent children (biological or adopted) below age 20 who are dependent for more than half of their support on deceased member.
Amount:	Actuarially equivalent to surviving spouse 100% joint survivor annuity payable to the later of age 20 or five years. The amount is to proportionally divided among surviving children.
Refund of Contributions With Interest:	
Age/Service Requirement:	Active employee dies and survivor benefits are not payable or a former employee dies before annuity begins. If accumulated contributions with interest exceed total payments to the surviving spouse and children, then the remainder is paid out.
Amount:	The member's contributions with 6.00% interest.
Termination:	
Refund of Contributions:	
Age/Service Requirement:	Termination of local government service.
Amount:	Member's contributions with 6.00% interest compounded annually. A deferred annuity may be elected in lieu of a refund if three or more years of Allowable Service.
Deferred Annuity:	
Age/Service Requirement:	Three years of Allowable Service.
Amount:	Benefit computed under law in effect at termination and increased by 3.00% compounded annually until January 1 of the year following attainment of age 55 and 5.00% thereafter until the annuity begins.
Changes in Plan Provisions:	There have been no changes in plan provisions since the prior valuation.